



**Associated Communications & Research Services, Inc.**

817 N.E. 63rd Street  
Oklahoma City, Oklahoma 73105  
405/843-9966  
Fax 405/843-9852

CLAYBURN C. CURTIS, P.E.  
President

LARRY D. SCOTT, P.E.  
Executive V.P. Operations

ROBERT S. FLANIKEN  
General Counsel

SAMUAL T. CURTIS  
Controller

CHARLES C. CURTIS  
V.P. Strategic Planning

April 12, 1996

Mr. William F. Caton  
Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, N.W.  
Washington, DC 20554

**RECEIVED**

**APR 15 1996**

**FCC MAIL ROOM**

Re: Federal-State Joint  
Board Universal Service  
cc Docket No. 96-45

Dear Mr. Caton:

**DOCKET FILE COPY ORIGINAL**

Please find enclosed for filing the original and thirteen copies of Associated Communications and Research Services, Inc.'s comments on behalf of its client companies: Atlas Telephone Company, Inc., Central Oklahoma Telephone Company, Cherokee Telephone Company, Hinton Telephone Company, Medicine Park Telephone Company, Inc., Oklahoma Western Telephone Company and Pine Telephone Company; in the above-captioned proceeding.

Thank you for your assistance in this matter.

Sincerely,

Cathy Quinn  
General Manager/ Regulatory Affairs

CJQ/clb

cc:

ACRS  
file

13 copies made  
4/12/96

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

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APR 15 1996

FCC MAIL ROOM

In the Matter of )  
 )  
Federal - State Joint Board )  
on Universal Service )  
 )

CC Docket No. 96-45

COMMENTS OF  
ASSOCIATED COMMUNICATIONS AND RESEARCH SERVICES  
ON BEHALF OF  
ATLAS TELEPHONE COMPANY, INC., CENTRAL OKLAHOMA TELEPHONE  
COMPANY, CHEROKEE TELEPHONE COMPANY, HINTON TELEPHONE  
COMPANY, MEDICINE PARK TELEPHONE COMPANY, INC., OKLAHOMA  
WESTERN TELEPHONE COMPANY, AND PINE TELEPHONE COMPANY.

ACRS  
Associated Communications & Research Services  
817 N.E. 63rd Street  
Oklahoma City, OK 73105  
(405) 843-9966

April 11, 1996

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, DC 20554

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**APR 15 1996**  
**FCC MAIL ROOM**

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| In the Matter of            | ) |                     |
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| Federal - State Joint Board | ) | CC Docket No. 96-45 |
| on Universal Service        | ) |                     |
|                             | ) |                     |

**COMMENTS OF**  
**ASSOCIATED COMMUNICATIONS AND RESEARCH SERVICES**  
**ON BEHALF OF**  
**ATLAS TELEPHONE COMPANY, INC., CENTRAL OKLAHOMA TELEPHONE**  
**COMPANY, CHEROKEE TELEPHONE COMPANY, HINTON TELEPHONE**  
**COMPANY, MEDICINE PARK TELEPHONE COMPANY, INC., OKLAHOMA**  
**WESTERN TELEPHONE COMPANY, AND PINE TELEPHONE COMPANY.**

**I. Introduction**

On March 8, 1995, the Federal Communications Commission (FCC) issued a Notice of Proposed Rulemaking and Order Establishing Joint Board in the matter of Universal Service. Comes now, Associated Communications and Research Services, Inc., and submits its comments in this cause on behalf of its client companies named hereinabove.

It is of paramount importance that Universal Service Support Mechanisms remain in place for the small, rural telephone companies. The implementation of the Communications Act of 1934 set forth the goal of Universal Service. The burden of providing Universal Service has fallen to the rural companies. It is with the blood, sweat and tears of these companies that rural America has been interconnected and given the opportunity to enjoy benefits of urban areas while retaining their rural lifestyle. Now the Communications Act of 1996 has set forth a new definition for Universal Service with the mandate that this will be an evolving definition to reflect advances in telecommunications and information technologies.

Essential to this evolving definition will be support mechanisms to assure that the companies will deploy new services in a timely fashion while remaining financially viable.

These companies have performed a valuable function in the past, in connecting rural America. Now is the time to implement mechanisms to assure that rural America remains interconnected and has continuing access to “Universal Service”.

## **II. Goals and Principles of Universal Service Support Mechanisms**

The Telecommunications Act of 1996 directs the FCC to revisit the definition of, and support for, Universal Service. The Act sets out principles to be used in this redefinition. They include quality and rates, access to advanced services, access in rural and high cost areas, equitable and non-discriminatory contributions, specific and predictable support mechanisms, and access to advanced services for schools, health care providers, and libraries. These principles set out an ambitious framework for the industry to achieve. However, the fact remains that funding of these principles will not come easily. With competition now entering the marketplace in all arenas, telecommunications providers are striving to minimize costs in order to better compete. The fact is that if appropriate support mechanisms are not implemented in conjunction with the implementation of these goals, the small, rural telecommunications carrier may indeed be an endangered species. All telecommunications providers must be aware of their obligation to fund Universal Service mandates. This proceeding must serve as notice of that responsibility.

## **III. Support for Rural, Insular, and High-Cost Areas and Low-Income Consumers**

Support in rural, insular, and high cost areas is essential to the perpetuation of Universal Service, especially under the new definition. The new definition calls for provision of access to advanced services. Access to these services will be made available to all customers at affordable and reasonably comparable rates. Therefore support must be provided on a basis other than specific services, customer or class of customers. The level of support must be addressed in the aggregate. However, there is merit in utilizing, as a benchmark, the types of service and rate levels, and calling scopes provided in a neighboring urban area. This benchmark should not be used singularly as a measure, but in conjunction with other measures as the FCC finds appropriate.

For low-income subscribers the assistance programs approved and presently in place should remain. Link-up brings subscribers onto the network while Lifeline provides assistance to retain subscribers on the network. It is appropriate that these programs remain in place and target specific subscribers. However, the point is made that these assistance programs are not a part of this redefinition and should not be considered as support mechanisms under the new definition. We agree with the concept that Lifeline and Link-up is a separate issue from Universal Service. Lifeline and Link-up are affordability issues while Universal Service is a network cost issue.

#### **IV. Schools, Libraries, and Health Care Providers**

The rural telephone industry strongly supports the objectives to ensure the provision of advanced telecommunications services to schools, libraries, and health care providers. Already many small companies have taken the initiative to provide these types of services to schools, libraries, and health care providers. However, if these services are to be provided at discounted rates then a support mechanism must be established. This mechanism should be a separate, identifiable fund not to be integrated into the Universal Service mechanism.

It is appropriate that this fund should be created to further economic development in the rural areas. Further, the fund should be limited to providing assistance in the rural areas only. The Joint-Board should address the question of defining eligible areas.

#### **V. Enhancing Access to Advanced Services for Schools, Libraries, and Health Care Providers.**

Indeed, bringing advanced services to schools, libraries and health care providers in the rural areas may entail a substantial investment on the part of the telecommunications provider. Through a mandate created by the new law or issued by a regulatory authority the telecommunications provider must have an opportunity to recover these costs without wholly depending upon their incumbent ratepayers to shoulder the cost burden.

Again these costs must be identifiable and if substantial in nature should be recovered from a support fund. The Administrator of this fund should be given specific rules and guidelines by the Joint-Board under conditions which these funds would be disbursed.

## **VI. Other Universal Service Support Mechanisms**

The 1996 Act states that any federal universal service support provided to eligible carriers “should be expected” and should be recovered from all telecommunications carriers that provide interstate telecommunications service on an equitable and nondiscriminatory basis (NPRM, Para 112). It is this provision that raises the argument that the subscriber line charge (SLC) should be increased. The SLC is a support mechanism and is explicit in its recovery on a non-discriminatory basis. This proposed increase would have an adverse impact on those customers in rural areas or low-income subscribers to increase the SLC. It is now capped at \$3.50 for residents and \$6.00 for multi-line business customers. While businesses might well withstand some level of increase, residential customers will not. The Joint-Board should carefully review the appropriateness of an increase in the SLC.

## **VII. Administration of Support Mechanisms**

### **A. Who Should Contribute**

At Para 118 the NPRM asks for comment on who should contribute to the universal service support fund. The ‘96 Act states that “all providers should make an equitable and nondiscriminatory contribution”. It is our position that all competitors in the interstate market should provide their fair share of support. This requirement should only be imposed on interstate carriers for interstate support. Intrastate support along with definitions, mechanisms and contributors should be left to the appropriate state regulatory authority.

### **B. How Should Contributions be Assessed**

It seems the Telecommunications Relay System (TRS) model would be most appropriate for funding the new support mechanisms. This model has been used and seems to work well, collecting from all telecommunications service providers. In fact, it

was suggested in comments in the Commission's August 30, 1994, Notice of Inquiry, that this method be used for recovery of high cost assistance.

Companies who contribute to TRS include LECs, IXC's, cellular telephone and paging companies, personal communications services, resellers, 900 services and satellite, video and paging providers. The Commission should establish a flat percentage contribution to USF based on gross interstate revenues by these companies or any others they deem appropriate, in order to provide funding on a going forward basis.

C. Who Should Administer

It is our belief that NECA, as current administrator of the USF, is uniquely positioned to continue in that role. NECA already possesses the expertise required to administer this type fund and to do so in a fair, efficient, and competitively neutral manner.

We strongly oppose the proposition that administration of the fund be left to state public utility commissions. The commissioners must deal with intrastate support funding and while, they may be closer to the constituents who are receiving funding, do not have the resources to commit to the administration of the interstate fund.

A separate neutral board should be appointed to oversee administration of the fund. This board would function in a review capacity only and would consist of members appointed by the Joint-Board.

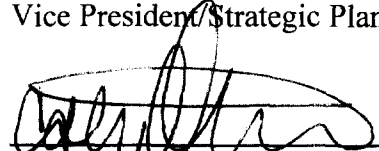
## Summary

The Telecommunications Act of 1996 directed the FCC to initiate this Rulemaking to 1) define the services that will be supported by Federal universal service support mechanisms, 2) define those support mechanisms and, 3) otherwise recommend changes to regulations implement the Universal Service directives set forth in the Act. The Act did not direct the FCC to reduce or eliminate universal service support but indeed will increase the level of funding in order to perpetuate Universal Service as set out in the Act. This increased funding will be absolutely essential to those rural, small, local exchange carriers who experience little or no growth in their service areas but who will be under the new definition required to provide a higher level of advanced services to their customers.

Respectfully submitted,



Charles C. Curtis  
Vice President/Strategic Planning



Cathy J. Quinn  
General Manager/Regulatory Affairs